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## CLOSING OF THE STUDEBAKER PLANT SOUTH BEND, INDIANA

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The announcement on December 9, 1963, of the closing of the Studebaker plant in South Bend, Indiana, set off a series of immediate, local, State, and Federal actions to cushion the blow to the community and to minimize human hardship.

Another, more far-reaching result of the Studebaker shutdown was the sharp, emphatic spotlighting of a need for awareness of the possible future repetition of the South Bend situation elsewhere—perhaps with the closing of a defense establishment. These kinds of major dislocations could and probably would reoccur. What if they did?

When what could be done for South Bend had been done, the continuing aspect of greatest interest and value to the Nation would then be, "What can be learned from South Bend to prevent or minimize the deleterious effects of future major industrial or defense shutdowns?"

This study is a partial answer to that question.

The prime investigation and findings on the South Bend shutdown are the work of Dr. Harold L. Sheppard of the Upjohn Institute for Employment Research under a technical assistance contract with the Area Redevelopment Administration, U.S. Department of Commerce.

The Introduction and the Report of Follow-Up Action are from the Report of the Interdepartmental Committee on South Bend Studebaker Shutdown. The Executive Secretary of the Committee is Andrew J. Duran, Special Assistant to the Administrator, ARA.

ARA is publishing this consolidated report as an example of an effective cooperative effort between government—Federal, State and local—and many private local groups—an effort typical of our way of getting the job done.

William L. Batt, Jr., Administrator  
Area Redevelopment Administration

## INTRODUCTION

*The Interdepartmental Committee to assist South Bend in meeting the problems growing out of the closing of the local Studebaker plant was set up at the direction of the President on December 9, 1963, and in response to a request from the Indiana Congressional delegation.*

*The closing of Studebaker's automotive assembly operations in South Bend represented a severe blow to the economy of the area. At the peak last fall, Studebaker employed about 8,700 of the area's total work force of about 90,000, and provided indirect employment opportunities for several hundred additional workers in the manufacture of parts and components, and in the transportation of completed cars. The problem was complicated because of the very short notice provided for the shutdown. The announcement was made on December 9, and the last American-made Studebaker car was scheduled to come off the production line on December 20—five days before Christmas.*

*On December 24, 1963, the President directed:*

- *Secretary of Commerce Luther H. Hodges to have the Area Redevelopment Administration "work with the local South Bend community in its efforts to attract new industry to the area."*

- *The Interdepartmental Committee, which he created December 9, to "send to South Bend a full-time official who will remain on the spot to coordinate all Federal activities with the officials of the State and local government."*

- *Secretary of Labor W. Willard Wirtz, to establish "the maximum number of training projects consistent with the needs and demands of the area," under newly enacted provisions of the Manpower Training Law.*

- *Agriculture Secretary Orville L. Freeman to "do whatever is necessary to expedite the distribution of surplus food to the large number of displaced, unemployed workers."*

- *Secretary of Defense Robert S. McNamara,*

*"to the extent consistent with sound procurement policies, to see that the \$87 million Studebaker military truck contract is completed in South Bend."*

*Since the President's directive of December 24, the Interdepartmental Committee has held periodic meetings, under the co-chairmanship of the Area Redevelopment Administrator and the Economic Advisor to the Secretary of Labor. They have been attended by representatives of the Departments of Commerce, Labor, Health, Education and Welfare, Defense, Post Office, Agriculture and various independent agencies, including, General Services Administration, Veterans Administration, Housing and Home Finance Agency and Small Business Administration. The meetings have also been attended by Senators Bayh and Hartke and Congressman Brademas and/or members of their respective staffs. Also participating have been representatives of the community, the United Auto Workers, the State Government and the Studebaker Corporation.*

*The Area Redevelopment Administration contracted with the Upjohn Institute for Employment Research to provide the services of an expert on community impact of plant shutdowns to help local, State and Federal agencies in their programs in South Bend. Besides coordinating all these efforts in South Bend, his primary responsibility was to work with local officials and citizens in their efforts to accelerate economic development in the area. In effect, this expert became the Federal expediter. Dr. Harold L. Sheppard was selected for this key role. He has been participating in all the meetings in Washington and in South Bend, and has met with a wide range of civic, educational, industrial, financial and union leaders in an effort to bring about an overall organization devoted to the long-range goal of basic, local economic development programming. His report has now been submitted.*

*Abstracted from  
the Report of the Interdepartmental  
Committee on South Bend  
Studebaker Shutdown.*

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## REPORT ON STUDEBAKER— SOUTH BEND

by  
**Harold L. Sheppard**

**The W. E. Upjohn Institute for Employment  
Research**

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### IMMEDIATE STEPS

There is no need here to elaborate in detail on each of the immediate first steps taken by Federal, State, and local agencies and organizations to meet the crisis created by the close-down of the Studebaker production facilities in South Bend, Indiana.

These steps included the following:

1. Surplus food distribution to approximately 2800 individuals from families of former Studebaker workers, and the liberalization of eligibility requirements.

2. Immediate first steps toward the development of a number of Manpower Development and Training Act training courses, ultimately to provide retraining for approximately 1200-1500 ex-Studebaker workers. At the present time, a shortage of fiscal 1964 funds will prevent the complete allocation of the amounts necessary to conduct the full range of courses otherwise approved.

3. Detailed planning has been carried out by the local community's over-all organization of private social agencies (United Community Services) to cope with the problems of the large majority of Studebaker workers who are roughly over 50 years of age and/or who are otherwise potentially disadvantaged in the job market, and who also will not have been accepted (or have applied) for the MDTA training program. Again, as in the case of the regular training program for South Bend, U. S. Department of Labor funds for such a program are currently limited, and at best a small amount will be provided to help get the program under way.

4. Creation of a Mayor's Committee on the Studebaker problem.

5. Creation of a Federal Inter-Agency Committee, and appointment of a temporary Federal Coordinator to expedite programs, work with the community on possible steps needed for its long-range economic development, and report on his

suggestions for improving methods of meeting other similar crises in the future.

6. Steps are being taken to find support for programs in South Bend that will concentrate on the problems of those ex-Studebaker workers who decide, or are in the throes of deciding, whether or not to retire with a pension from the Studebaker pension fund. Special attention has also been called to the 600 or 700 ex-Studebaker employees who have one form or degree of physical handicap. To date, no clear-cut resolution of these needs has been called to the attention of the writer.

7. Consideration also is being given to the selection of St. Joseph County as a pilot area in a Health, Education and Welfare (HEW) program for aid to the dependent children of unemployed parents, under an HEW demonstration grant. This is especially urgent since State legislative action would otherwise have to be taken, but the legislature does not meet again until 1965.

8. Immediate and satisfactory arrangements were made to solve the problems of the Studebaker employees' credit union. The assets and liabilities of the credit union were assumed by a local bank which also reduced the loan interest rate slightly and apparently has deferred any immediate collections from borrowers unable to make their full monthly payments. Shareholders have been receiving payments, plus a liberal dividend, well over 6 per cent.

9. Information was provided to employees concerning procedures for requesting forbearances on FHA and VA-insured mortgages.

10. Scheduling of an area procurement conference for early March, to inform and advise local businesses and manufacturers about various items for which several Federal agencies are seeking bids, with recognition of the South Bend-Mishawaka area as a surplus labor area which carries with it various preferential considerations in the evaluation of bids.

### BACKGROUND AND CONDITIONS

The immediate circumstances surrounding the close-down of the Studebaker facilities in South Bend include the following:

1. Approximately 7,500 of the 8,700 employees laid off no later than the end of March 1964. These figures do not take into consideration any subsequent re-employment in the production of five-ton Army trucks by Kaiser Jeep, which has not yet taken place (as of mid-March).



2. The unemployment rate in the South Bend labor market area prior to the closing of the Studebaker plant was at a dramatic low of 2.1 per cent (mid-autumn). This low rate constitutes perhaps one of the major bases for a relative degree of optimism concerning the ultimate solution of the Studebaker unemployment problem. Ostensibly, a labor market area with this low rate of unemployment should have a number of job openings. Such optimism, however, must be tempered by a recognition of the specific nature of the labor force affected by this shut-down: that is, a group of workers with a high average age and with long affiliation with the company for as much as 20 to 30 years—all of which affects the nature of their job skills and even the nature of the job-seeking skills. Furthermore, in the light of incomplete, unsystematic knowledge of the specific skills needed in the possible job openings, it is difficult to conclude that supply and demand in the labor market are in meaningful balance.

3. While a large number (approximately 800 to 1,000) workers are or will be eligible this year for early retirement (at age 60) under the private Studebaker fund, it should be pointed out that the amounts of these pensions will be rather limited, perhaps with a maximum of \$50 per month. Moreover—and perhaps more important in the long run—the under-60 workers, despite their long years of service with the company, will have no pensions coming to them when they retire.

This last point is something that must be reckoned with by the community and by the various levels of government when such workers eventually retire in the near, not-so-distant future. For a very large portion of the under-60 Studebaker workers, we can anticipate problems within the next five to ten years concerning income maintenance during their retirement years. Fully one third of the Studebaker workers not eligible for any pension benefits are already at least 50 years old. Even if they can manage between now and retirement (at age 62 or older) to build up enough Social Security quarter credits, OASI benefits typically are not sufficient to provide financial resources above the "poverty" line (\$3,000 for a family, per annum).

4. For nearly all the Studebaker workers, the average unemployment compensation will not be at the maximum weekly rate for Indiana (which, at \$36, can hardly be deemed adequate) and, in the light of the recent ups and downs of employment at Studebaker, the number of remaining benefit weeks will be nowhere near the maximum of 26 weeks.

5. Much of the unemployment problem in South Bend will be aggravated by the fact that roughly 20 per cent of the Studebaker work force consisted

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of Negro workers. This is further complicated by the fact that approximately 30 to 40 per cent of all Negroes in the South Bend labor force were employed at Studebaker. In other words, the greatest impact of the plant closing will be felt in the Negro community of South Bend city, which contains about 90 percent of the total area's Negro population of 14,000.

6. The Procurement Conference, held on March 2 and 3, could constitute a basis for much economic activity in the area. This, however, will depend primarily on the degree to which local leadership stimulates and prompts continuing interest by area companies in making bids for the various contracts discussed at that conference. The local community—for the most part through the Chamber of Commerce—should establish a procurement assistance committee with a full-time staff professional, in order systematically to pursue follow-up action by potential bidders.

Such a committee is vital in meeting the problems of small shops in the South Bend area in bidding on contracts. Letters to the local newspaper from such small employers reveal some degree of disinterest because of the fears or inability of these employers to deal separately with what are, to them, complicated procedures.

## NEED FOR SYSTEMATIC RESEARCH ON IMPACT

Typical of many situations similar to the type of shut-down experienced by the South Bend community, a number of beliefs were expressed which might be interpreted as "consolations" to some segments in the community not directly or adversely affected by such major plant closings.

For example, one belief is that, since the average age of the Studebaker workers is on the "older" side, such employees would therefore have few children, and thus the burden of deprivation would not be too serious.

A second belief is that many, if not most, of the Studebaker workers were "moonlighters." That is, they have second jobs in addition to the Studebaker employment, and hence the shut-down will not be too drastic for the work force. (The exaggerated nature of this belief can be seen by the fact that, nationally, the percentage of employed workers with two or more jobs has been between 4.6 and 5.7 per cent since 1960.)

Third, it is also believed by many South Bend citizens that a large number of these workers live on farms from which they apparently can derive

subsistence, and hence not be adversely affected by the shut-down.

Fourth, since most of these workers are homeowners and have, for the most part, paid off their mortgages, the impact is not too great.

Fifth, since a large number of them are eligible for some form of retirement or pension income, the impact will not be too serious.

Sixth, many of these workers have other members of their families employed, and thus the impact will not be too great.

None of these beliefs or statements is based on any concrete, empirical knowledge derived from systematic collection of data. The only belief that has already been put to the test and proven somewhat tenuous is the first one, relating to the alleged small number of dependent children. The United Community Services report of January 1964 shows that, for 6,822 employees (the approximate payroll for December), there were 8,480 children under the age of 19. This does not include slightly more than 5,000 other dependents such as wives and other relatives. Indeed, for the nearly 3,000 workers over the age of 50, there were nearly 2,000 young dependents.

Such beliefs might be a kind of "defense mechanism" serving as a sort of comforting device for those who wish to evade the serious nature of the impact of the Studebaker closing. The degree to which such beliefs are adhered to can affect the nature and extent of community action necessary for meeting the impact.

For this and many other reasons, there is an urgency for the type of research about to be undertaken by the sociologists and economists at the University of Notre Dame, financially sponsored by the Area Redevelopment Administration. At the time of this writing, however, the research is being delayed as a result of the failure at certain levels of the clearance process to appreciate the circumstances under which the research proposal was initiated. Originally, it was hoped that field work could begin immediately within six weeks after the shut-down, but now—after nearly twelve weeks—that hope has been abandoned. In large part, this is due to an incomplete communication to all levels of government concerning the urgent need for prompt action, since the value of the total effort begun by the President lies in the speed with which his general and specific requests are implemented.

It is equally important for the Inter-Departmental Committee created by the President to

assure follow-up research, perhaps over a period of two or three years, consisting of periodic re-interviews with the original sample of workers and other personnel drawn from the November 1 payroll list of the Studebaker Corporation. Many of the action programs now under way or being proposed for the South Bend area in the wake of the shut-down will continue to be in need of the findings from such research, and this is another reason for assuring support for continued investigations.

At present, no one in South Bend or in Washington has more than partial knowledge about the actual facts, reactions, needs, behavior, and plans of the Studebaker work force. We do not know, for example, what percentage of these workers is truly aware of the training programs now under way, or what the reasons might be for those not applying for training, even though aware; what proportion has obtained re-employment and, if so, where, with what companies, in what types of occupations at what wage rates, etc.

In addition, if there is going to be any effective, genuine evaluation of the various programs undertaken by local, State, and Federal agencies, as well as by private organizations, there will be a need for such continued empirical research. Finally, even as the research gets under way within the next few weeks, it will be highly practical and useful for the researchers to "feed back" their findings to the community in order to determine whether or not changes in programs and policies should be instigated. Indeed, there could be a high value in the establishment of such a feedback mechanism as a permanent planning device for community, business, and welfare committees concerned about local employment-related problems.

## SEPARATE ACTIVITIES RELATED TO ECONOMIC DEVELOPMENT

A number of individual, separate, and mostly uncoordinated activities have been under way in South Bend, both before and since the Studebaker closing, each of them related in some degree to the over-all economic development of the area. For example:

a) Professor Thomas Bergin of the University of Notre Dame had been independently preparing a request to the Area Redevelopment Administration for a technical assistance grant, aimed at determining and analyzing the requirements of small business in the South Bend area in the field of research and development; at determining whether or not a university-sponsored industrial



research center might be useful for small business in undertaking reasonable experiments in research and innovation; and for determining whether such facilities could provide results and information in excess of what might otherwise be obtained through existing practices, if any, among the area's small businesses.

With further enlargements and refinements of this type of technical assistance, especially on the applied side, a major step perhaps could be taken toward a basic approach to the area's employment and economic development challenges of the next ten years.

This type of program could possibly be broadened to provide such services as are included in the Northern Michigan Development Council's project at Central Michigan University, inaugurated by ARA technical assistance funds. This program has as its objectives the provision of technical assistance to individual small businesses on manufacturing and production methods, research and development of products, advanced information on financial control, management, marketing, and personnel methods; consultation by the University Economic Development Center on methods and requirements for firms to expand their manufacturing and commercial activities, thereby expanding employment; and the distribution to local business firms of information about Federal, State, and local sources of financial support for expansion of existing businesses.

An essential feature of such a service would be the "reaching out" function along the lines of an extension-type program that proved so successful in the development of American agriculture. One of the basic assumptions of this type of proposal is that there exists a substantial gap between the storehouse of scientific-technical knowledge and the translation of this knowledge into information by professional "industrial extension" agents for practical application by private enterprise to our civilian technology.

It should be emphasized that the Central Michigan University program is but a part of a comprehensive economic development program being undertaken by the Northern Michigan Development Council. It is not a program going its own separate way, unrelated to other economic activities in the area. As will be discussed below, such is not the case with regard to the Notre Dame proposal or any of the several other proposals and actual programs in the South Bend-Mishawaka area.

b) In another category of activity, either as a direct result of the Studebaker shut-down or as developments that could result in employment improvements, is the formation of a new company consisting of former Studebaker engineers and

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technicians. This firm is now seeking business from firms around the country. They have leased a 5000-foot facility for their design and pattern operations, and are negotiating for the purchase of the assets of a pattern and model shop for moving to these premises within the next 60 days. The group has also published a preliminary brochure being distributed throughout the Midwest.

Such developments deserve every possible encouragement by the local community, and also by the Federal Government, for example, in its procurement decisions. This is not only important for the immediate interest of the 50 or so persons directly connected with the new company; it would also assure the keeping of such valuable technicians and engineers in the South Bend economy as a further solidification of the economic base as an attractive area for further economic development.

Here again, however, South Bend has no overall economic development organization to which such a group could turn for advice and/or financial support. Nor does there seem to exist any "clearing-house" (as part of such an over-all organization) which could systematically keep track of similar formations of "fledgling" enterprises.

c) To cite another example in this category, five Negroes—all of them Studebaker factory workers—have pooled their limited resources to start a sales company for distributing janitorial and cleaning supplies, with the ultimate goal of manufacturing such supplies within the South Bend area itself. This is a genuine example of "local industry" development and should be given every possible encouragement. SBA management counseling services could be offered to this new company.

d) Long before the Studebaker shut-down, the Committee of 100 had underwritten an evaluation survey, to be conducted by nationally reputable experts, on the topic of higher education needs in the South Bend and Northern Indiana area. These experts included Jesse Hobson, formerly of SRI and now with Southern Methodist University, who has been working on the topic of the nature and degree of university involvement in local economic development. There is a widespread feeling in the area, supported by Dr. Hobson's observations, that relations between the University of Notre Dame, for example, and South Bend's industry and commerce have not been as extensive or as fruitful as they could be, and need to be, for a variety of reasons. As a result of discussions now under way between University officials and industry representatives (including the leadership of the Committee of 100), there is a strong possibility

of major improvements, including research-development, engineering education, etc., and—above all—in communication between the local area's industry and commerce and the University regarding mutual needs and interests.

e) A survey and report on major improvements in the downtown physical plan is due soon, and it too will constitute a significant in-put for long-run economic development success.

f) The school system of the city has been actively engaged in imaginative planning of an enlarged and modern vocational education center, and already has the nucleus of such a center in partial use now.

## NEED FOR IMPROVED ECONOMIC DEVELOPMENT PROGRAM

Perhaps it is only natural that in the type of crisis being experienced by the South Bend community there will be a great deal of disparate and frantic activity on the part of individuals and organizations genuinely concerned about increasing the employment and economic opportunities in the South Bend area. But, while it may be natural, it may not be necessary.

To get at the meaning of this comment it may be instructive to cite a recurrent theme in many of the interviews in the community: namely, "We were expecting the Studebaker closing for years. It was no surprise to us." The question here is, if the "dis-employment" of several thousand workers was expected for so many years, what was the community doing in this period to brace itself for that event, and to promulgate a program of its own to meet it? To use a military analogy, if a nation anticipates an attack from another country, it has in advance an organizational and action blueprint for meeting such a crisis. So far in the field of economic and industrial development, however, most local communities do not have any machinery or programs geared toward meeting an equivalent economic or unemployment crisis. South Bend is no exception, although this does not mean that it is as deficient in this regard as other communities.

Another way of explaining the meaning of the above comment is to refer to the earlier discussion about some of the separate activities taking place in South Bend, prior to and since the Studebaker closing. The entire community, in the opinion of this writer, as well as in the opinion of many local leaders, stands in need of a full-scale economic development program engaging the full spectrum of economic and civic groups in the area.

While there are already many separate organizations busily engaged in some facet of such a program, there is no sense of communication and coordination between these separate activities.

Many of the functions that would be performed by such a program, coordinated by a community-wide economic development organization, are already being performed by this or that existing committee or organization. No doubt all of these stand in need of improvement, or at least coordination. Other functions, however, are not being performed in any real sense. A comprehensive economic development program would include a series of systematic activities devoted to such ends and means as the following:

1. *The creation of new, and the expansion of existing, industry and commerce.*

This involves not only the search for new products and diversification but also the determination of those products and services currently being imported into the local economy that could be profitably provided or made within that local economy—and then the active support of financial and other community sources to make such home-grown enterprises a reality. One sophisticated approach would consist of input-output analyses of the local economy.

2. *An industrial development fund.* Many of the economy-boosting potentials will never see the light of day, or will have to be deferred, unless investment funds are made available under conditions facilitating effective realization of new and expanding enterprises (but with adequate safeguards and criteria for approval), for the express purpose of accelerating job growth by private enterprises. Eligibility, loan terms (interest and length of loan, etc.), methods and form of incorporation, fund management, etc., are matters that require local exploration and discussion. At the present time, there does not exist in the South Bend area such a development fund that could constitute an additional inducement for new industry to locate in, or for existing industry to expand in, South Bend. At best, efforts to attract industry with some form of financing convenience are carried out on a limited *ad hoc* basis.

3. *Research and development facilities.* Many firms cannot individually support research and development facilities for their separate uses. On the other hand, a private or university-related center with joint industry-community support, could benefit such firms, and also could become additional incentives for technicians and scientists to join existing firms and even provide the basis for new industries (spin-offs, etc.). Such new industries, it should be pointed out, often require



the assistance of the previously suggested industrial development fund.

4. *Local economy research.* A continuing inventory and clearing-house function, including the gathering and dissemination of information regarding such items as site availability, labor-force composition, freight rates, taxation, community facilities, etc. The Committee of 100 and the "Tribune's" Market Data service already provide much, if not all, of this type of information.

5. *"Industrial Extension."* A "reaching out" program of assistance to middle- and small-sized enterprises concerning such problems as marketing, production, sales, management, etc., for the purpose of expanding business and employment. This suggestion stems from the universal need for translating and applying much of the knowledge in the ever-changing fields of engineering, management science, manufacturing and marketing techniques, etc., to the practical needs of business, especially relating to civilian technology.

6. *Education, Vocational Training, and Retraining.* All of these need special attention by economic development organizations, in order to assure a first-class education system, including junior colleges and universities, for the training of the area's future manpower needs. This would include a smooth running MDTA-type program, providing new skills to current and future job-seekers (and even rudimentary skills for disadvantaged groups). Economic development organizations should not leave such problems merely to the regular vocational educators; they should be playing a more active role as catalysts, to make sure that training and retraining are part of the general economic development program.

7. *Labor-Management Relations.* Beyond and outside of specific collective bargaining situations, labor and management could benefit from joint participation in the community's over-all economic development efforts. Increasingly, labor unions are coming to appreciate the many factors that go into successful economic and job development; and business—as well as the general community—can benefit from the support of an informed (and consulted) union membership. The newly formed South Bend-Mishawaka Labor-Management Committee constitutes an ideal nucleus for this particular facet of community-wide economic development activity.

All of these and other functions must, furthermore, be integrated with a program of economic analysis the results of which are constantly being fed back to the decision-makers and other segments of the community concerned about the econ-

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omic and employment status of South Bend. Such economic analysis, of course, is meaningless if this is not done. Without such organized "feedback," there can be no effective action to remedy the weaknesses and to exploit the strengths revealed by economic analysis. And effective action is substantially enhanced if there is an organization representing all groups whose cooperation and support are essential to the success of any economic development program. At the present time, such an "umbrella" organization is lacking in South Bend.

Under normal circumstances, it might be argued that South Bend, unlike other areas, is in no immediate need for such a stepped-up organizational effort. But in the 1960's and perhaps beyond, local economics will not recover as quickly as they might have in the past from a sudden permanent lay-off of several thousand workers that increases the unemployment rate nearly five times the pre-shut-down rate. For one thing, the Studebaker work force is an "old" one, with many obstacles to re-employment; older workers, once unemployed, experience long-term unemployment much more than young workers in similar circumstances. Second, the lay-off has taken place at a time when the numbers of young job-seekers entering the labor force will be many times the number in previous decades. Third, technological change is not necessarily creating job opportunities for this particular age group; indeed it might be lessening such opportunities. These and other trends and conditions call for more than the traditional reliance on letting things take care of themselves. They call for a conscious and organized effort on the part of the local community to analyze, discuss, decide, plan, and act.

A new and more encompassing economic development organization could perform the functions of coordinated action by the now-existing separate groups, together with continuing research on problems as new conditions emerge. Such an organization would further create a positive boost in the morale of the general community. By soliciting administrative and investment funds on a community-wide basis, a new "umbrella" organization would help overcome any negative feelings that might be entertained by some segments of the community toward specific organizations now operating somewhat separately from others.

The exact nature and organizational structure of such a group, its specific forms of communication among its constituents and with the community at large, etc., are all matters that can only be decided by South Bend itself.



## SUGGESTIONS FOR GOVERNMENTAL LEVELS

A long list of specific and imaginative recommendations for action, made by the Inter-Departmental Committee on South Bend, could be repeated here, but the crucial point is that enunciation of such recommendations should not be confused with actual and/or prompt execution of these ideas. The basic weakness, as revealed in the efforts to realize these recommendations in South Bend, is the lack of flexibility in the manner of implementation or administration of various program suggestions. Some of this rigidity may flow from the substantive content of the statutes enacted by the State or Congress; some of it is a result of administrative rules and regulations; and frequently it is related to such factors as lack of imagination, and preoccupation with bureaucratic *procedures* and jurisdictions more than with program *goals*. Some of the latter type impediment to prompt implementation of the Inter-Departmental recommendations may, of course, stem from possibly inadequate communication to all possible levels of the administrative structures—State and Federal—by the Inter-Departmental Committee to assure persons in these various levels (and regional offices) about the importance to be attached to the emergency nature of the South Bend problem.

These last pages will cite only a few examples, not for the purpose of singling out specific instances for criticism but rather to illustrate a principle. Perhaps the basic principle, or lesson, to be derived from the efforts expended during the past 90 days for South Bend is that crises or emergencies cannot be adequately met through merely an intensive application of routine programs.

At the present time there is no existing mechanism in the Federal Government for dealing promptly and decisively with community economic disasters, and to attempt to meet such disasters by utilizing existing mechanisms designed for non-disaster programs is akin to trying to square a circle. The South Bend experience will prove to be a valuable one to the degree that the community and its workers solve their problems. But it will be even more valuable to the degree that new policies, authority, and techniques are devised by the Federal and State governments to meet more rationally, promptly, and smoothly similar crises in other labor market areas in the months to come.

1. It might be more efficient, *at the outset* in situations like the South Bend effort to start MDTA

training, to allow surplus and excess GSA equipment and machinery to be sent *directly* to the local community involved, rather than to insist on compliance with the requirement now prevailing for non-emergency cases, namely, that the State first receive equipment in some central distribution point from which it is then forwarded to the local community. In the South Bend case, it was only after some delay and confusion (and local insistence) that direct shipment was made possible.

In the same fashion, such supplies and equipment for emergency programs should *automatically* be made available from all administrative regions involved (e.g., GSA and HEW), and not just from the region within which is located the community facing an emergency.

Similarly, with regard to the process of selecting trainees for MDTA (or ARA) training courses, what may be needed is not merely a speeding up of all the regular interviewing and testing procedures but possibly the *elimination* of some of the procedures. Some study should be made of just what could, on a completely rational, expedient basis, be eliminated or modified in the steps normally preceding the initiating of training programs.

Consideration might also be given to the immediate assigning of Washington or regional staff members of the U. S. Employment Service and the Department of Health, Education and Welfare to a six-to-eight-week, on-the-site responsibility for expediting such programs. This not only would provide more direct communication and access between the local community and an *ad hoc* inter-departmental committee (e.g., as on South Bend) but also would ease the load on local and State agencies already engrossed in other facets of the emergency (filing of unemployment compensation claims, placements, etc.).

Another type of problem was encountered by the vocational education administrators in the recruitment of temporary MDTA teachers—often from other cities—because of the regular requirements concerning standard salaries, etc. What may be needed instead is more direct authority, on a stand-by basis, to allow greater financial incentives to such vocational education instructors for the purpose of finding teaching staff as quickly as possible. This, of course, would call for State and local action, but perhaps some explicit and direct Federal action is also feasible and possible.

2. Another example of the limitations of using routine methods for utilizing routine programs in crisis situations can be found in the attempt (still unsuccessful to date) to use the HEW demonstra-

tion program relating to aid to dependent children of unemployed parents and other welfare needs being faced by South Bend. It should not be necessary to look into the possibilities of making available this or that standardized program, or source of funds, for a community that suddenly finds itself faced with immediate and pressing social problems such as those now being experienced and to be anticipated in South Bend. Whatever assistance *may* be potentially available can only be obtained—at the risk of rejection—after long and tedious processing through several bureaucratic echelons (State and Federal), and only if justification can be unquestionably provided for making such assistance intrinsic to a demonstration program. This is not necessarily a criticism of existing Federal and State program possibilities, but rather a criticism of the fact that at present there are no alternatives open to such communities.

The project for older workers, proposed by the United Community Services and cited earlier in this report, has also had to be considered in the same manner, despite the fact that a genuine, pressing problem for large numbers of older workers is anticipated, and indeed already exists.

3. It should be considered "Standard Operating Procedure" for prompt initiation of a sample survey of a work force suddenly laid off (or laid off in mass numbers, even after some advance notice), with a basic, standardized interview schedule such as the one to be used by Notre Dame, for purposes cited earlier in the discussion of this research project.

4. On another level of problems, and one which should receive attention at all levels of government and in many labor market areas (see No. 5 below), there is a growing recognition of the need for a running inventory on such manpower development prerequisites as:

- a) current job openings;
- b) employer projections of future occupational needs;
- c) vocational education facilities and staff geared to meeting the needs indicated by such data, in cooperation with the State and U. S. Employment Service, all employer groups, unions, and community-wide economic development organizations.

Compared to many other labor market areas, South Bend is probably more advanced on this score, although it too could benefit from greater coordination and communication among the organizations and agencies affecting, and affected by, labor market phenomena.

## CLOSING OF THE STUDEBAKER PLANT

5. At a more basic and complicated level, serious consideration might be given to the systematic analysis of nation-wide data, organized by region, industry, etc., that would yield valuable "advance warning" information concerning those industries (and, ideally, those companies) that have high probabilities of severe or complete reductions in work force resulting in sharp increases in an area's unemployment. While this approach falls short of requiring individual companies to provide advance information (confidential or otherwise) to employment service offices, such information yielded in this fashion would be superior to what is now available, for the purpose of preparing agencies and communities with the highest probabilities of plant shutdowns or drastic reductions in force. Perhaps the research being conducted by Dr. Edgar Dunn, of the U. S. Department of Commerce, on county-by-county industry and employment trends could be utilized as part of the approach to this suggestion.

6. These specific examples point up the desirability of some mechanism whereby the President may grant authority to a "task force," under the direction of an Emergency Coordinator, in each instance to make prompt decisions, for example, in the approval of training courses and the allocation of funds (with some feasible limits, if necessary) for such courses; or in direct approval of various types of welfare programs, etc. Such a task force should consist of multi-agency personnel who understand the value of acting promptly in local economic crises, who are immune—to the maximum degree possible—from jurisdictional sensitivities, and who can separate the essential from the non-essential in situations that require urgency, in an effort to provide services and programs to communities, families, and individuals experiencing "disaster-type" events, such as in the case of South Bend.

The creation of such task forces with appropriate authority would also have to be communicated to the multitude of Federal and State agencies (and their regional offices) in order to minimize the confusion and resistance that might otherwise develop in the course of the task force's performance.

In a word, what is needed is a blueprint of action in economic crisis situations to be carried out by an inter-agency team well versed and well motivated with regard to the types of first-order programs called for in a community such as South Bend, without the encumbrances intrinsic to regular, non-crisis programs which must necessarily emphasize due processing, multi-level clearances, negotiations, etc.



7. At another fundamental level of difficulty—a level which would require Congressional action—the Studebaker plant-closing has affected the retirement status of hundreds of workers who will be retiring in the next five years or so with OASDI benefits below amounts they otherwise would be obtaining. Many of these workers will retire at age 62, in the distant as well as the near future, because of difficulties in finding re-employment; others will retire at higher ages near the “normal” age of 65. But in both categories they face the prospect of sharply reduced benefits—not to mention the loss of all private pension benefits for the vast majority of all Studebaker workers—either because of reductions for early retirement or because of lack of sufficient coverage under Social Security prior to retirement at any age.

The question to be raised here is: Could the Social Security legislation be amended to provide for more adequate OASDI benefits to those workers who suffer from circumstances such as the Studebaker permanent shut-down and who are, say, 55 years of age or older at the time of such shut-down—that is, within ten years of maximum benefit retirement age? This question is based on the belief that OASDI beneficiaries should not be penalized through reduced social insurance benefits if their ineligibility for full benefits derives from no fault of their own, i.e. company failures after 20-30 years of continuous attachment to the labor force and ten or less years before the age of 65.

8. Concerning the question of designation of a labor market area as eligible for financial assistance under the Area Redevelopment Administration (especially industrial and commercial loans to accelerate business activity), the following proposal might be considered. If the pre-shut-down unemployment rate is, for example, tripled by the shut-down, the area could be designated for the above purpose, perhaps for a limited period such as 18 months. In the case of South Bend, the current rate is still slightly below the level required by the ARA statute. But there is reason to believe that various businessmen—within and outside of South Bend—could contribute to the more rapid employment of more workers in the area if loans were available to them under the terms provided by ARA and by SBA for ARA-designated areas. However, because the current rate is only 9 to 10 per cent (and not 11), this is not possible. On the other hand, if some principle such as the one suggested herein were applied, South Bend would become eligible for such loan assistance and would be that much further along on the road to economic and employment recovery.

## OBSERVATIONS ON THE ROLE OF A COORDINATOR

The general idea of appointing a Coordinator proved to be a positive factor in determining the response of the community to its own problems. That is, the announcement itself was seen as a concrete act by the Federal Government backing up the concern of the Administration over the immediate and long-run status of South Bend-Mishawaka. It also provided the community with a focus of inquiry, suggestions, complaints, and action. In turn, by not having his interests and responsibilities confined to any one narrow sphere of problems or of any one demarcated administrative-governmental structure, the Coordinator was able to “circulate” among the widest possible range of individuals, organizations, experts, socioeconomic strata, etc. This enabled him to get a sense of the whole, to relate the separate problems and programs to each other in a way that cannot be done by overspecialization, narrow “circulation,” and preoccupation with procedures and details of any one given program to the exclusion of other programs. The fact that the Coordinator was able to concentrate on only one city—and not several at the same time—also was highly advantageous.

It should also be pointed out that the role, to be effective, calls for someone with a diversified background, including a multiprofessional orientation and a working familiarity with the range of various private and governmental programs that could possibly be relevant to the problems being attacked. The challenges of “plant shut-down disasters” and of economic development by communities and regions call today for a sort of “master of all trades.”

In the type of assignment requested by the President in late December, a coordinator finds himself more than a “messenger-boy” between the Federal Government and the community. For one thing, he performs the role of communicator between the various groups within the community itself, a role that is relatively easy since members of each of these groups will express feeling to and accept suggestions from an outsider much more readily than amongst each other. Second, he also finds himself having not only to represent the Federal Government in the community but, more significantly, having to represent and explain the community and its problems to the Federal agencies. This latter role is the most difficult and perhaps the least rewarding.

If the coordinator takes his assignment seriously and defines the situation as an emergency calling for prompt action and decisions, he then can experience frustration and indeed exasperation in dealing with agencies which include individuals who apparently do not assimilate the emergency nature of cases such as that of South Bend, and who treat each community request as routine and/or react to such requests according to which other agencies may be involved. In the protracted shuffle that follows, the original need and sense of

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urgency is neglected, the full justification and background is diluted or distorted, and the coordinator finds himself as a protagonist searching blindly for the effective level of final decision-making in this or that agency, be it a regional or Washington bureau or, indeed, the Bureau of the Budget itself. The end result can be complete cynicism on the part of the local community concerning the sincerity of the Federal Government as a whole, and not this or that single agency or individual.



## FOLLOW-UP ACTION REPORT

Immediately following the President's directive of December 9, 1963, and prior to the official announcement of the closing of the automotive facilities by the Studebaker Corporation, the Department of Labor sent a team of specialists to South Bend to analyze the unemployment and to start special procedures to handle the mass lay-off expected.

This was done through a program of expanded and intensified direct personal services to the workers involved. These services were provided by the USES and State employment services. The program has three objectives: 1) to help shorten the period of unemployment faced by the workers affected; 2) to assure that—wherever possible—these workers will receive some income while they are unemployed; and 3) to minimize any other employment dislocations resulting from the shutdown.

At this same time, the Department of Labor immediately reclassified South Bend to "D" labor surplus area, and since reclassified it to an "E" labor surplus area, making it possible for South Bend firms to receive preference on government contracts.

Most of these priority tasks were initiated, or well underway by the time of the Studebaker shutdown on Friday, December 20. A Special Depth-Interview Center was opened in downtown South Bend on Monday, December 23, and the State agency detailed 10 additional persons (6 professionals and 4 clerks) to work in the center.

Some of the major developments and accomplishments of their reemployment program were:

- **Income Maintenance**—Claims for unemployment insurance benefits from more than 5,000 former Studebaker workers have been handled by the South Bend office of the Indiana Employment Security Division since the shutdown of the plant on December 20. All told, about \$1.5 million has been paid out thus far to former Studebaker workers since the layoff.

- **Identification of Secondary Skills**—To date, the special Studebaker-South Bend manpower office has sent "call-in" notification cards to over 6,000 displaced Studebaker workers, asking them to appear for a scheduled "in-depth" interview. Close to two-thirds of the workers have responded and, at this writing, 3,300 have already been interviewed intensively. Another 400 have had regular interviews or been registered for regular job

services; about 2,000 have taken the General Aptitude Test Battery.

- **Job Development and Inter-Area Recruitment**—The Indiana State Employment Service has mailed letters to 2,300 Indiana employers in metal-working industries, providing information on the number and kinds of workers available, and explaining the procedures being used to facilitate inter-area recruitment.

The local citizens reemployment group is now a functioning organization working to help expand local employment opportunities and to promote local industrial development.

### Training or Retraining Under the Manpower Development and Training Act

A multioccupational area training center is being set up at the Studebaker "40-A" facility and at the Cline School in South Bend. At this time, there are 21 training projects in the pipeline for the center. Twelve of the programs have been approved and funded by the Department of Labor and HEW. Most of these have already started or will get underway shortly.

These 21 projects—developed by the USES and the Indiana State Employment Service in cooperation with HEW and local vocational authorities—will provide training opportunities for 1,500 workers. This is in addition to six MDTA projects—involving 210 workers—which were initiated prior to the Studebaker shutdown and were already in operation in South Bend in mid-February.

At the present time, six courses provide training in such occupations as auto mechanic, auto body repairman, machine operator (general), draftsman, clerk (general), and nurse aide. Courses for refrigeration mechanic, oil-burner serviceman, and data-processing clerks, auto mechanics and body repairmen, building maintenance workers, data processing programmers, architectural draftsmen, cooks and helpers are presently underway, training approximately 250. Training has also been programmed but funds are not yet available for combination welder, maintenance mechanic II, sewing-machine operator, job setter, machineshop inspector, electric-motor repairman, and upholsterer.

Altogether, training projects expected to cost over \$1 million have already been approved for the South Bend area since the Studebaker shutdown and an additional \$700,000 has also been approved

for training facilities and equipment. Funds for all of these approved projects are not available this fiscal year. Efforts are still in progress to start other approved training programs but how soon they can get underway depends on action on the deficiency appropriation for additional funding of the Manpower Development and Training Act.

Under the new amendments to the MDTA Act, which has recently been passed, subsistence allowance to trainees have been raised \$10 a month but funds are not available yet to finance these changes. Trainees are also allowed now to work twenty hours part-time while being trained without any reduction in their retraining subsistence allowance.

The Department of Labor has also announced a \$50,000, three-month special project to tackle the problems of workers over 50 years of age who lost their jobs when Studebaker Corporation closed its auto-making facilities in South Bend. This project is being directed by the local United Community Services with cooperation of the National Council on Aging. Under the project, up to 500 unemployed ex-Studebaker workers over 50 with "specific vocational handicaps" will be given intensive counseling, testing and guidance. The project will be directed by the local United Community Services which will also conduct an intensive program of work with employers on the employability of older workers. This is part of a program of cooperation with the National Council on Aging to discover methods of overcoming the employment problems of older, jobless workers. The Indiana State Employment Service will also cooperate in seeking jobs for those taking part in this project.

The current project is designed to represent an initial phase of a broader and continuing fifteen month program for retraining and increasing employment opportunities for older workers in South Bend. If the program is enlarged and put on a continuing basis, the total cost may exceed \$1 million.

#### Food Donations

The Department of Agriculture approved a request from Indiana to increase the income standards on which eligibility for food donations are determined. This had the effect of enabling a family of two or more to draw unemployment compensation and to receive donated foods. Also, Secretary Freeman authorized the suspension until May 1 of the limitation on savings, one of the normal criteria for obtaining USDA donated foods. By mid-January some 300 families of ex-Studebaker employees had

received donations; by month's end this figure had increased to 785. In February it had declined to 641 and to 625 by the end of March.

#### Procurement Activities

At the time of the Studebaker shutdown, the firm held approximately \$87 million in Federal government contracts for the manufacture of trucks, primarily for the Department of Defense. The Department of Defense made clear its desire that whoever took over Studebaker's present military truck contracts should do the work in South Bend.

The Willys Jeep Division of the Kaiser Corporation has since taken over this operation and will employ from 200 to 400 people, with hiring expected to start around May 15. The Studebaker auto stamping plants have also recently been taken over by the Allied Products Company of Michigan for the manufacture of automotive components. This firm is expected to employ about 100 workers in South Bend at the outset.

At the request of the Congressional Delegation and local officials, the Area Redevelopment Administration and the Department of Defense arranged an Industrial Procurement Conference in South Bend so that all firms in the area would be fully informed on the possibilities of government contracting in order to step up production in the South Bend area and increase employment.

This conference was held on March 2 and 3. There were 451 registrants. Business and industrial firm representatives came from South Bend and the adjoining area. The Army, Navy and Air Force and six civilian government agencies were represented and received some 639 requests for information on various aspects of the \$100 million "shopping list" of government contracts available for bid. The Army, Navy and Air Force representatives issued 306 sets of contractor-bid forms to the participants who had indicated their desire to bid on Government work. The names of 339 firms were added to the Bidder's list. GSA was consulted by 143 firms. Steps were taken to put 75 firms on their records to receive information on procurements in which these firms were interested.

Twenty-five actions were initiated in the new or improved products field by people who believed they had new products to list in the GSA catalogue. The highly successful conference was an outstanding example of teamwork and support from the Senators from Indiana, and Congressman Brademas working together with the sponsoring group of the community and the several government agencies. Plans are underway for another conference to be held by prime contractors letting their wants be known in the sub-contracting field. Arrange-



ments are presently underway to organize a prime contractors procurement conference in South Bend. Defense is much encouraged by developments and is ready to move as soon as final arrangements are made.

Department of Defense is exploring every possibility under Defense Manpower Policy-4, which might aid in lessening of the impact of the shutdown in South Bend.

#### Other Federal Activities and Accomplishments

During the initial stages of our committee's work the Social Security Administration of HEW and representatives met in South Bend to counsel older workers on retirement benefits.

Following the first visits to South Bend by Federal officials, the Department of Labor and HEW sent a special team to South Bend with authority to approve retraining programs on-the-spot.

An HEW demonstration program is being studied to provide day-care programs and home-maker services. In addition, plans are being studied for pre-retirement counseling for 60-65 year old workers. Special programs for the 700 former Studebaker handicapped workers are also being considered.

The Federal Housing Administration of HHFA and the Veterans Administration agreed to approve any mortgage forbearance agreements proposed by the lender, if the homeowner was unemployed due to the shutdown in South Bend. Both agencies had representatives in South Bend for on-the-spot counseling working with the local leaders and members of the local labor union to be sure this information went to all concerned.

The Small Business Administration agreed to consider the possibility of deferring payments on any small business loans in the area and establishing counseling services in South Bend.

The General Services Administration and HEW did an excellent job in expediting the shipment of surplus government machinery direct to South Bend to be used in training programs. This ac-

tion was taken as the result of delays brought to the attention of the Committee.

In mid-February (the latest available complete figures) the Department of Labor's best estimate of total unemployment in the area was about 8,200, representing 9.1 percent of the work force of the area. At that time, the status of the Studebaker work force, from the September payroll total of 8,100 was as follows:

Employed	3,050—2,100 Studebaker, 950 elsewhere (57% locally; 20% elsewhere in Indiana;
Known Unemployed	3,285—3,163 drawing un- employment in- surance; 122 in- surance payments exhausted.
Outside the Labor Force	1,330—430 retired; 800 outmigrants; 100 military service/ ill/deceased
Unaccounted for	445

More recent data suggest that joblessness in the South Bend area probably has decreased to some extent between mid-February and mid-March. The number of ex-Studebaker workers filing continued claims for unemployment insurance benefits decreased from the mid-February total of 3,163 to 2,370 by the week ending March 20. Claims for unemployment insurance in the area as a whole decreased by about 13 percent from 6,227 to 5,447 during the same period. The opening of seasonal employment opportunities in construction and other outdoor activities contributed to the improvement.

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